
BOARD ADOPTED POLICIES

POLICY NUMBER: 1.00.190**EFFECTIVE DATE:** 2/19/04**TITLE:** Internal Audit Charter**SUPERSEDES:** 10/16/03**BOARD ADOPTION:** 2/19/04**APPROVED:** *Joseph A. Dear*

INTRODUCTION

1. The WSIB internal audit function is established in RCW 43.88.160(4a). The WSIB Audit Committee has established the Internal Audit position to provide independent, objective assurance and consulting services designed to add value and improve WSIB operations. The position assists the WSIB in accomplishing its objectives by:
 - a. Bringing a systematic, disciplined, and independent approach to evaluate and improve the effectiveness of risk management, internal control, and governance processes.
 - b. Providing a wide range of quality independent internal auditing services for the Audit Committee and executive management, and consulting services for management, and;
 - c. Supporting WSIB efforts to achieve their strategic objectives through independent auditing services and consulting services.
2. The objectives of internal audit services are to provide independent assurance to the Audit Committee and management that WSIB assets are safeguarded, operating efficiency is enhanced, and compliance is maintained with prescribed laws and Board and management policies. The objectives of auditing services include independent assessment of WSIB risk awareness and management, reliability and integrity of the agencies data, and achievement of WSIB goals and objectives.
3. The consulting and advisory objectives of internal audit's services are to provide management with assessments and advice for improving processes that will advance WSIB goals and objectives. In particular, the objectives are to provide assessments and advice on the front-end of projects so that risks may be managed and internal controls may be designed at the beginning of a project.

DUTIES AND RESPONSIBILITIESInternal Audit Scope

4. The Internal Auditor's scope of work is to determine whether the WSIB's network of risk management, internal control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- a. Programs are operating within the highest fiduciary standards and are directed toward the requirements defined in the State constitutions, laws and regulations, and WSIB policies and procedures.
- b. Operations, processes and programs are consistent with established missions, objectives and goals and they are being carried out as planned.
- c. Existing policies and procedures are appropriate and updated.
- d. Risks within and outside of the WSIB are appropriately identified and managed.
- e. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- f. Contractors are meeting the objectives of the contracts, while in conformance with applicable laws, regulations, policies, procedures, and best practices.
- g. Responsibilities and activities of the Office of the State Auditor or any other external auditors engaged by the WSIB are coordinated with those of the Internal Auditor to provide continuity of audit efforts and to avoid duplication of efforts.
- h. Specific operations, processes or programs are reviewed at the request of the Audit Committee or management.

Internal Auditor Authority and Independence

5. The Internal Auditor is delegated the authority to operate the internal audit function. The Audit Committee retains the right to approve the annual audit plan presented by the Internal Auditor directly to the Committee. The Internal Auditor shall periodically inform the Committee of the status of the audit plan and any changes needed. The Internal Auditor is authorized to allocate resources, set project frequencies, select audit subjects, determine scopes of work, and apply the techniques necessary to accomplish the audit objectives.
6. The Internal Auditor is not authorized to perform operational duties for the WSIB and/or its affiliates and contractors. The Internal Auditor is not authorized to initiate or approve accounting transactions. The Internal Auditor is not authorized to direct the activities of any WSIB employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
7. The Internal Auditor reports functionally to the Audit Committee and reports administratively to the Executive Director. The Audit Committee oversees the selection process for the Internal Auditor position and reviews the Executive Director performance evaluation of the Internal Auditor.
8. The Internal Auditor should discuss any potential issues regarding impairment of independence and/or conflicts of interest and their mitigation(s) with the Audit Committee as necessary.

Internal Audit Access

9. The Internal Auditor is granted authority for full, free, and unrestricted access to all of the WSIB's functions, records, files, information systems, personnel, contractors, physical properties, and any other item relevant to the function, process, or unit under review. All contracts with vendors shall contain the WSIB's standard audit language enabling the WSIB's Internal Auditor and other auditors

and specialists to have access to relevant records and information. All of the employees of the WSIB are required to assist the Internal Auditor in fulfilling the audit functions and fiduciary duties.

10. The Internal Auditor shall have free and unrestricted access to the Audit Committee Chair, the Audit Committee, the Board Chair, and Board members. The Internal Auditor shall also have free and unrestricted access to the Executive Director, management and all personnel, contractors, and vendors of the WSIB.
11. Documents and information given to the Internal Auditor shall be handled in the same prudent and confidential manner as by those employees normally accountable for them.

System of Risk Management and Internal Controls

12. Management is responsible for implementing the system of risk management. The Internal Auditor will aid management by evaluating risk management during each audit and through consulting activities. The Internal Auditor will periodically conduct an enterprise risk assessment with the goal of formulating an audit plan. Information gathered during the enterprise risk assessment may be shared with management.
13. Management is responsible for implementing the system of internal control. The Internal Auditor will aid management by evaluating internal controls during each audit and by periodically evaluating the entire system of internal controls.

Internal Audit Process

14. The Internal Auditor is responsible for the following in order to meet the objectives, and scope of this Charter.
 - a. Conducts an annual risk assessment and produces an annual audit plan that will accomplish the objectives, and scope of this Charter. This plan will include some unassigned hours in order to provide flexibility for management requests, consulting projects, and provide opportunities for professional training. This plan shall be based, in part, upon risks and control concerns identified by management.
 - b. Implements the annual audit plan as approved, including, as appropriate, any plan amendments, special tasks, or projects requested by management and the Audit Committee.
 - c. Coordinates with staff to finalize recommendations for improvement and identify implementation timelines.
 - d. Performs a periodic comprehensive evaluation of risk management and internal controls.
 - e. Evaluates and assesses significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
 - f. Transmits copies of all audit reports to the Audit Committee.

- g. Conducts periodic follow-up reviews to evaluate the adequacy of management's actions.
- h. Issues quarterly reports to the Audit Committee and management summarizing results of audit activities and summarizing the status of follow-up activities.
- i. Provides an annual summary of consulting and advisory activities to the Audit Committee.
- j. Assesses periodically whether the purpose, authority, and responsibility, as defined in this Charter, continue to be adequate to enable the Internal Auditor to accomplish its mission, objectives, and scope. The result of this periodic assessment should be communicated to the Audit Committee and the Executive Director.
- k. Attends all Audit Committee meetings.
- l. Obtains a peer review by other internal auditors as required by professional standards, no less frequently than every five (5) years [Institute of Internal Auditors standard].
- m. Informs the Audit Committee of emerging trends and successful practices in internal auditing.
- n. Assists in the investigation of significant suspected fraudulent activities within the WSIB and notifies the Audit Committee, the Executive Director and other management, as appropriate, of the results.
- o. Considers the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the WSIB at a reasonable overall cost.
- p. Consults with WSIB management, as requested, on potential policy and procedure changes.
- q. Participates in professional audit organizations by attending meetings, joining the governing boards, presenting speeches and papers, and networking with other professionals. Networks with internal audit staff of other public pension systems to learn and exchange best practices information. Participates in other professional organizations related to the mission of the WSIB.
- r. Acts as the primary point of contact for handling all matter related to audits, examinations, investigations, or inquiries of the State Auditor or any other external auditors engaged by the WSIB.

Internal Audit Professional Standards

15. The Internal Auditor shall follow the professional standards of relevant professional organizations. These professional standards include, but are not limited to, the following:
- a. International Standards for the Professional Practice of Internal Auditing (ISPPIA) and the Code of Ethics of the Institute of Internal Auditors (IIA).
 - b. Control Objectives for Information Technology and Code of Ethics of the Information Systems Audit and Control Association (ISACA).

- c. American Institute of Certified Public Accountants (AICPA) Professional Standards and Code of Ethics, as applicable.
- d. Generally Accepted Government Auditing Standards (GAGAS) from the United States General Accounting Office (GAO), as applicable.

Charter Review and Approval

16. This Charter shall be reviewed at least every three (3) years to ensure it remains relevant and appropriate. This Charter and all future amendments to it are to be approved by the Board.

Board Adopted 4/16/98

Revised 10/16/03

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